



DE 2A1K

cc: Mr. Butler
Mr. Ingham
Mr. Fletcher
Mr. Powell (statement only)

10 DOWNING STREET

From the Private Secretary

6 May 1985

BONN ECONOMIC SUMMIT: PARLIAMENTARY STATEMENT

I enclose the statement on the Bonn Economic Summit which the Prime Minister proposes to make to the House tomorrow. It differs from the version which some of the recipients of this letter saw in Bonn on Saturday evening, in that the Prime Minister has decided to include rather more of the text of the Economic Declaration.

I should be grateful for any comments by 1200 on Tuesday 7 May.

I am copying this letter and enclosure to Len Appleyard (Foreign and Commonwealth Office), John Mogg (Department of Trade and Industry) and Sir Robert Armstrong.

Charles Powell

Mrs. Rachel Lomax,
H. M. Treasury.

CC, PM'S SPEECHES
& BROADCASTS. Master

MR. POWELL

WITH PERMISSION, MR. SPEAKER, I SHALL MAKE A STATEMENT ABOUT THE

[~~ELEVENTH ANNUAL~~] ECONOMIC SUMMIT WHICH I ATTENDED IN
BONN, [FROM 2 TO 4 MAY], ACCOMPANIED BY MY RIGHT HON.
FRIENDS THE FOREIGN AND COMMONWEALTH SECRETARY AND
THE CHANCELLOR OF THE EXCHEQUER.

HEADS OF STATE OR GOVERNMENT OF THE UNITED STATES, FRANCE,

WEST GERMANY, ITALY, CANADA AND JAPAN WERE PRESENT,

ACCOMPANIED BY THEIR FOREIGN AND FINANCE OR ECONOMIC

MINISTERS, TOGETHER WITH THE PRESIDENT OF THE EUROPEAN

COMMISSION, ~~WHO WAS ACCOMPANIED BY COMMISSIONERS DE CLERCQ~~

~~AND PFEIFFER.~~

I HAVE PLACED IN THE LIBRARY OF THE HOUSE COPIES OF THE ECONOMIC

DECLARATION AND OF THE POLITICAL DECLARATION ^{TO MARK} ON THE

40TH ANNIVERSARY OF THE END OF THE SECOND WORLD WAR.

I SHALL DEAL FIRST WITH THE POLITICAL ISSUES.

AS COUNTRIES WHICH ONCE FOUGHT EACH OTHER BITTERLY, WE

RECALLED
~~COMMEMORATED~~ THE BENEFITS OF ~~40 YEARS~~ OF RECONCILIATION
 [OF 40 YEARS OF PEACEFUL
 AND CO-OPERATION, AND PLEDGED OURSELVES TO THEIR
 CONTINUANCE.

WE WELCOMED THE OPENING OF NEGOTIATIONS IN GENEVA ON THE REDUCTION
 OF NUCLEAR ARMS, EXPRESSED OUR APPRECIATION OF THE
 POSITIVE PROPOSALS OF THE UNITED STATES AND URGED THE
 SOVIET UNION TO ACT POSITIVELY & CONSTRUCTIVELY
 IN ORDER TO ACHIEVE SIGNIFICANT AGREEMENTS.

FOREIGN MINISTERS DISCUSSED THE ~~SITUATION IN THE~~ MIDDLE EAST,
 SOUTHERN AFRICA, CENTRAL AMERICA AND THE STRATEGIC
 DEFENCE INITIATIVE.

THEY CONDEMNED THE CONTINUING, BRUTAL OCCUPATION OF
 AFGHANISTAN BY SOVIET TROOPS AND OF CAMBODIA BY VIETNAM.

/ AT BRITISH

ON BRITAIN'S

~~AT BRITISH~~ INITIATIVE WE HAD A DISCUSSION OF THE GROWING PROBLEMS

POSED BY DRUGS AND WE AGREED TO SET IN HAND WORK ON
 FURTHER CO-OPERATIVE MEASURES TO COMBAT THE VICIOUS
 TRADE WHICH IS THE CAUSE OF SO MUCH HUMAN SUFFERING.

WE ALSO RE-AFFIRMED OUR DETERMINATION TO STRENGTHEN FURTHER THE
 CO-OPERATION AGAINST TERRORISM AGREED AT THE LONDON
~~ECONOMIC~~ SUMMIT LAST YEAR.

ECONOMIC MATTERS

THE DISCUSSION AND THE COMMUNIQUE

ON ECONOMIC MATTERS, ~~ONE STRIKING POINT EMERGING FROM THE DISCUSSION~~
~~AND REFLECTED IN THE COMMUNIQUE~~ ^{ED} ~~WAS~~ THE SIMILARITY BETWEEN
 THE APPROACHES AND POLICIES OF ALL SEVEN GOVERNMENTS.

~~WE~~ ^{FURTHER} RECOGNISED THE CONSIDERABLE PROGRESS ~~IN~~ ALL OUR
 COUNTRIES ~~SINCE~~ ^{KEEPING} OUR LAST MEETING ~~IN BRINGING DOWN~~
~~INFLATION AND ACHIEVING ECONOMIC GROWTH.~~ (STRENGTHENING THE BASIS FOR)

WE ALSO WELCOMED THE FACT THAT THE RECOVERY ~~IN THE~~
~~INDUSTRIAL COUNTRIES~~ HAS BEGUN TO SPREAD TO THE DEVELOPING
 WORLD.

/ NEVERTHELESS

NEVERTHELESS, WE RECOGNISED THAT OUR COUNTRIES STILL
FACE IMPORTANT CHALLENGES.

ALONE OTHER THINGS,
/ WE NEED:

- TO STRENGTHEN THE ABILITY OF OUR ECONOMIES TO
RESPOND TO NEW DEVELOPMENTS;
- TO INCREASE JOB OPPORTUNITIES;
- TO ^{COMBAT} ~~HALT~~ PROTECTIONISM; AND
- TO IMPROVE THE ^{FUNCTIONING} ~~STABILITY~~ OF THE WORLD MONETARY
SYSTEM.

IN ORDER TO SUSTAIN NON-INFLATIONARY GROWTH AND TO CREATE HIGHER
EMPLOYMENT, WE AGREED THAT:

- WE WILL CONSOLIDATE AND ENHANCE THE PROGRESS
MADE IN BRINGING DOWN INFLATION.
- WE WILL FOLLOW PRUDENT AND, WHERE NECESSARY,
STRENGTHENED MONETARY AND BUDGETARY POLICIES WITH
A VIEW TO STABLE PRICES, LOWER INTEREST RATES
AND MORE PRODUCTIVE INVESTMENT.

/ EACH OF OUR

EACH OF OUR COUNTRIES WILL EXERCISE FIRM CONTROL OVER PUBLIC SPENDING IN ORDER TO REDUCE BUDGET DEFICITS, *WHEN EXCESSIVE* } AND, WHERE NECESSARY, *reduce* THE SHARE OF PUBLIC SPENDING IN GROSS NATIONAL PRODUCT.

- WE WILL WORK TO REMOVE OBSTACLES TO GROWTH AND ENCOURAGE INITIATIVE AND ENTERPRISE SO AS TO RELEASE THE CREATIVE ENERGIES OF OUR PEOPLES, WHILE MAINTAINING APPROPRIATE SOCIAL POLICIES FOR THOSE IN NEED.
- WE WILL PROMOTE GREATER ADAPTABILITY AND RESPONSIVENESS IN ALL MARKETS, PARTICULARLY THE LABOUR MARKET.
- WE WILL ENCOURAGE TRAINING TO IMPROVE OCCUPATIONAL SKILLS, PARTICULARLY FOR THE YOUNG.

BUILDING ON THOSE COMMON POLICIES, EACH COUNTRY INDICATED ITS SPECIFIC PRIORITIES, *FOR EXAMPLE* :

/ - PRESIDENT REAGAN

- PRESIDENT REAGAN EMPHASISED HIS DETERMINATION TO ACHIEVE A SUBSTANTIAL REDUCTION IN THE UNITED STATES' BUDGET DEFICIT;
- THE JAPANESE PRIME MINISTER UNDERTOOK THAT HIS GOVERNMENT WOULD MAKE FURTHER PROGRESS IN DEREGULATING FINANCIAL MARKETS, PROMOTING THE INTERNATIONAL ROLE OF THE YEN, FACILITATING ACCESS TO MARKETS, AND ENCOURAGING GROWTH IN IMPORTS;
- THE UNITED KINGDOM WILL CONTINUE TO WORK TO REDUCE INFLATION, KEEP PUBLIC SPENDING UNDER CONTROL, PROMOTE THE DEVELOPMENT OF SMALL BUSINESS AND ADVANCED TECHNOLOGICAL INDUSTRIES, AND ENCOURAGE INITIATIVE AND ENTERPRISE IN THE CREATION OF NEW JOB OPPORTUNITIES.

/ TRADE

TRADE
 INTERNATIONAL
 ON TRADE
 WE AGREED:

- THAT PROTECTIONISM DOES NOT SOLVE PROBLEMS,
IT CREATES THEM;
- THAT FURTHER PROGRESS IN RELAXING AND DISMANTLING
TRADE RESTRICTIONS IS ESSENTIAL;
- THAT A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS
SHOULD BEGIN AS SOON AS POSSIBLE, WITH THE BROADEST
POSSIBLE PARTICIPATION;
- THAT THE PREPARATIONS FOR THE NEW ROUND SHOULD
BEGIN WITH A MEETING OF GATT OFFICIALS BEFORE THE END
OF THE SUMMER.

WITH THE EXCEPTION OF FRANCE, WE WERE AGREED THAT THE NEW
 GATT ROUND SHOULD START IN 1986. *France was not
 prepared to commit herself to a date.*

INTERNATIONAL MONETARY MATTERS

THE DISCUSSIONS ON INTERNATIONAL MONETARY QUESTIONS ^{WHICH} BEGAN AFTER
 THE WILLIAMSBURG SUMMIT WILL BE COMPLETED NEXT MONTH
 WHEN THE GROUP OF TEN MEETS IN TOKYO.

/AFTERWARDS

THEY WILL PUT FORWARD PROPOSALS FOR

AFTERWARDS, DISCUSSIONS WILL BE ~~CONTINUED~~ IN THE IMF
 INTERIM COMMITTEE ^{OF THE IMF} IN OCTOBER.

WE ENDORSED THE CASE-BY-CASE APPROACH TO THE DEBT
 PROBLEMS OF THE DEVELOPING COUNTRIES SET OUT AT THE
 LONDON SUMMIT.

AFRICAN COUNTRIES

WE EXPRESSED OUR PARTICULAR CONCERN FOR THE PLIGHT OF AFRICAN
 PEOPLES SUFFERING FROM FAMINE AND DROUGHT.

WHILE ACKNOWLEDGING THE VERY SUBSTANTIAL ASSISTANCE
 PROVIDED NOT ONLY BY GOVERNMENTS BUT BY PRIVATE
 ORGANISATIONS AND INDIVIDUAL CITIZENS, WE INSTRUCTED
 EXPERTS TO REPORT TO THE FOREIGN MINISTERS OF THE SEVEN
 AT THE END OF SEPTEMBER WITH PROPOSALS FOR FURTHER
 MEASURES WHICH MIGHT BE NECESSARY.

PARTICULAR CONCERN WAS VOICED ABOUT THE ^{PRACTICAL} DISTRIBUTION OF
^{FOOD} AID WHICH HAS BEEN SO GENEROUSLY GIVEN, AND THE NEED
 FOR LONG-TERM POLICIES OF GOOD HUSBANDRY TO AVOID CREATING
 MORE DESERT LAND.

/WE ALSO CALLED

WE ALSO CALLED ON THE SOVIET UNION AND OTHER COMMUNIST COUNTRIES TO ASSUME THEIR RESPONSIBILITIES IN HELPING TO RELIEVE THE SUFFERING CAUSED BY FAMINE AND DROUGHT.

ENVIRONMENTAL MATTERS

WE AGREED ON THE IMPORTANCE OF DEALING EFFECTIVELY WITH PRESSING ENVIRONMENTAL PROBLEMS THROUGH STRENGTHENED INTERNATIONAL CO-OPERATION.

ALL ACCEPTED THE APPLICATION OF THE "POLLUTER PAYS" PRINCIPLE AND THE NEED TO HARNESS THE MECHANISMS OF THE MARKET.

MR. SPEAKER, WHAT WAS IMPRESSIVE IN THE SUMMIT DISCUSSIONS WAS THE CONVICTION OF ALL REPRESENTED THERE THAT LASTING JOB OPPORTUNITIES CAN ONLY BE CREATED IF WE MAINTAIN SOUND FINANCIAL POLICIES AND OPEN MARKETS AND REMOVE DISINCENTIVES AND UNHELPFUL REGULATIONS TO FOSTER A CLIMATE OF MORE VIGOROUS ENTERPRISE AND INITIATIVE.

~~WE REFERENCED OUR DETERMINATION TO PURSUE THESE~~
 POLICIES AS THE COMMUNIQUE SAID; BY PURSUING THESE POLICIES WE